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Saudi Arabia: Terrorist Financing Issues

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Saudi Arabia: Terrorist Financing Issues

Summary

The September 11, 2001 attacks fueled criticisms within the United States of alleged Saudi involvement in terrorism or of Saudi laxity in acting against terrorist groups. Of particular concern have been reports that funds may be flowing from Saudi Arabia and other Middle East countries to terrorist groups, largely under the guise of charitable contributions. Critics of Saudi policies have cited a number of reports that the Saudi government has permitted or encouraged fund raising in Saudi Arabia by charitable Islamic groups and foundations linked to Osama bin Laden's Al Qaeda organization or like-minded entities.

The final report released by the bipartisan National Commission on Terrorist Attacks Upon the United States (the 9/11 Commission) indicates that the Commission "found no evidence that the Saudi government as an institution or senior Saudi officials individually funded [Al Qaeda]." The report also states, however, that Saudi Arabia "was a place where Al Qaeda raised money directly from individuals and through charities," and indicates that "charities with significant Saudi government sponsorship" may have diverted funding to Al Qaeda.

In numerous official statements and position papers, Saudi leaders have said they are committed to cooperating with the United States in fighting terrorist financing, pointing out that Saudi Arabia itself is a victim of terrorism and shares the U.S. interest in combating it. Saudi leaders acknowledge providing financial support for Islamic and Palestinian causes, but maintain that no Saudi support goes to any terrorist organizations, such as the Hamas organization. The U.S. State Department in its most recent annual report on international terrorism states that Hamas receives some funds from individuals in the Persian Gulf states but does not specifically mention Saudi Arabia.

Since the September 11 attacks, Saudi Arabia has issued numerous decrees and created new institutions designed to tighten controls over the flow of funds in or through the kingdom, with particular emphasis on increasing the effectiveness of governmental supervision over charitable donations and collections. A rash of terrorist attacks on residential and office compounds in Saudi Arabia in 2003-2004 appears to have given added impetus to the Saudi leadership in expanding counter-terrorist efforts. Since mid-2003, the Saudi government has: set up a joint task force with the United States to investigate terrorist financing in Saudi Arabia; shuttered charitable organizations suspected of terrorist ties; passed anti-money laundering legislation; banned cash collections at mosques; centralized control over charitable collections; closed unlicensed money exchanges; and scrutinized clerics involved in charitable collections. H.R. 10, introduced on September 24, 2004, would require the President to submit to designated congressional committees a strategy for U.S.-Saudi collaboration, with special reference to combating terrorist financing.

For more information about Saudi Arabia, see CRS Issue Brief IB93113, *Saudi Arabia: Current Issues and U.S. Relations*, by Alfred Prados. Audrey Kurth Cronin and Febe Armanios contributed to this report. This report will be updated periodically.

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Saudi Arabia: Terrorist Financing Issues

Overview

The attacks of September 11, 2001 fueled criticism within the United States of alleged Saudi involvement in terrorism or of Saudi laxity in acting against terrorist groups. One area of particular concern is the suspicion that public or private funds may be flowing from Saudi Arabia and other Middle East countries to finance international terrorist activity.

Reliable figures on the amount of money originating in or passing through Saudi Arabia and ending up in terrorist hands generally are difficult to obtain, for several reasons. First, the relatively small amounts of money required for terrorist acts can easily pass unnoticed. Second, the structure of the Saudi financial system makes financial transfers difficult to trace. Personal income records are not kept for tax purposes in Saudi Arabia and many citizens prefer cash transactions. Third, Muslim charitable contributions (*zakat*) are a religious obligation, constituting one of the five “pillars of Islam.” Contributions are often given anonymously, and donated funds may be diverted from otherwise legitimate charities. Moreover, Saudi funding of international Islamic charities is reportedly derived from both public and private sources which in some cases appear to overlap, further complicating efforts to estimate the amounts involved and to identify the sources and end recipients of these donations.

This report reviews allegations of Saudi involvement in terrorist financing together with Saudi rebuttals, discusses the question of Saudi support for religious charities and schools (*madrasas*) abroad, discusses recent steps taken by Saudi Arabia to counter terrorist financing (many in conjunction with the United States), and suggests some implications of recent Saudi actions for the war on terrorism.

Saudi Arabia: Allegations of Terrorist Financing

In the aftermath of the September 11 attacks, numerous allegations have been leveled against the Saudi Arabian government and prominent Saudi citizens regarding financial support for international terrorist groups. Although many of the allegations fault the Saudi government for failing to act decisively to close down channels of financial support, some critics go so far as to accuse Saudi government officials of responsibility for the September 11 attacks through design or negligence and for the continuing threat posed by the perpetrators or by like-minded terrorist groups. Some of the allegations also deal with possible ties between Saudi officials, private citizens, and the exiled Saudi terrorist Osama bin Laden and his Al Qaeda organization. However, Saudi authorities revoked bin Laden’s citizenship in 1994, and senior Saudi officials have stated publicly that the Saudi regime is as much a

target of Al Qaeda as is the United States.¹ There also have been suggestions that members of the large and sometimes fractious Saud family, numbering 5,000 or more, have acted independently of the country's senior leadership in providing support to Islamic fundamentalist groups prone to violence. Since September 11, some U.S. government officials have described Saudi Arabia as "a strong ally to the United States in [the fight against terrorist financing];"² however, others have qualified this viewpoint, and at least one has described Saudi Arabia as "the epicenter" of financing for Al Qaeda and other terrorist organizations.³ The following are summaries of the more publicized post-September 11 reports of alleged Saudi involvement in terrorist financing.

General Allegations

The 9/11 Commission.⁴ The final report released by the bipartisan National Commission on Terrorist Attacks Upon the United States indicates that the Commission "found no evidence that the Saudi government as an institution or senior Saudi officials individually funded [Al Qaeda]." The report also states, however, that Saudi Arabia "was a place where Al Qaeda raised money directly from individuals and through charities," and indicates that "charities with significant Saudi government sponsorship," such as the Al Haramain Islamic Foundation, may have diverted funding to Al Qaeda (For more on this subject see 'Action Against Questionable Charity' below).

Specifically, the report describes bin Laden's use of "the Golden Chain," an informal financial network of prominent Saudi and Gulf individuals originally established to support the anti-Soviet Afghan resistance movement in the 1980s. U.S. officials state that this network collected funds and funneled it to Arab fighters in Afghanistan, and later to Al Qaeda, using charities and other non-governmental organizations.⁵ According to the Commission's report, Saudi individuals and other

¹ Foreign policy advisor to Saudi Crown Prince Abdullah, Mr. Adel Al Jubeir, said on *Meet the Press*, that "we are targeted by Al Qaeda Their objective is to change and topple the government in Saudi Arabia." Available at [<http://saudiembassy.net/2003News/Statements/StateDetail.asp?cIndex=190>]. In June 2004, Saudi Ambassador to the U.S. Prince Bandar bin Sultan called in the Saudi press for "jihad" against Al Qaeda militants in Saudi Arabia. (Prince Bandar bin Sultan, "A Diplomat's Call for War," *Washington Post*, June 6, 2004.)

² U.S. Treasury Secretary John W. Snow, "Statement following Visit to Saudi Arabia," September 17, 2003.

³ David D. Aufhauser, General Counsel, Department of Treasury, Testimony to Senate Judiciary Committee, June 26, 2003.

⁴ National Commission on Terrorist Attacks Upon the United States, "The 9/11 Commission Report," July 22, 2004.

⁵ FBI agents discovered a handwritten list of 20 alleged Al Qaeda financiers during a March 2002 raid on a Saudi-based charity in Sarajevo, Bosnia. Bin Laden apparently referred to the group as "the Golden Chain." Further details were submitted to the U.S. District Court for the Northern District of Illinois by federal prosecutors in January 2003. The 9/11 Commission Report cites the following document: "Government's Evidentiary Proffer (continued...)"

financiers associated with the Golden Chain enabled bin Laden and Al Qaeda to replace lost financial assets and establish a base in Afghanistan following their abrupt departure from Sudan in 1996. These activities were facilitated in part, the report argues, by the “extreme religious views” that exist within Saudi Arabia and the fact that “until recently” Saudi charities were “subject to very limited oversight.”

Although the report highlights a series of unsuccessful U.S. government efforts to gain access to a senior Al Qaeda financial operative who had been detained by Saudi Arabia in 1997, the report credits the Saudi government with assisting U.S. officials in interviewing members of the bin Laden family in 1999 and 2000. The report argues that these meetings were integral to U.S. efforts to understand the role of bin Laden’s personal wealth in the financing of Al Qaeda. As a result of this assistance, U.S. officials learned that Saudi government actions in the early 1990s had in effect divested bin Laden of his share of the bin Laden family fortune, leading Al Qaeda to rely thereafter on a “a core group of financial facilitators” based in the Persian Gulf “and particularly in Saudi Arabia” for funding. The report also credits Saudi government actions following the May 2003 bombings in Riyadh which “apparently reduced the funds available to Al Qaeda — perhaps drastically.”

Council on Foreign Relations Studies.⁶ An independent task force sponsored by the Council on Foreign Relations has issued two reports that address terrorist financing and Saudi Arabia’s alleged financial support for terrorism. The task force’s October 2002 report strongly criticized what it asserted was Saudi financial support for international terrorist groups. For example, the report stated both in its summary and in the main body: “For years, individuals and charities based in Saudi Arabia have been the most important source of funds for Al Qaeda. And for years, Saudi officials have turned a blind eye to this problem.” The authors argued that a connection between Saudi donors and Al Qaeda is logical for several reasons:

Saudi Arabia possesses the greatest concentration of wealth in the region; Saudi nationals and charities were previously the most important sources of funds for the *mujahideen* [fighters against the Soviet occupation in Afghanistan]; Saudi nationals have always constituted a disproportionate percentage of Al Qaeda’s own membership; and Al Qaeda’s political message has long focused on issues of particular interest to Saudi nationals, *especially those who are disenchanted with their own government* [emphasis added].

⁵ (...continued)

Supporting the Admissibility of Co-Conspirator Statements, United States v. Enaam Arnaout, No. 02-CR-892 (N.D. Ill. filed Jan. 6, 2003).”

⁶ *Terrorist Financing*. Report of an Independent Task Force Sponsored by the Council on Foreign Relations, October 2002. Available at [http://www.cfr.org/pdf/Terrorist_Financing_TF.pdf] and *Update on the Global Campaign Against Terrorist Financing*. Second Report of an Independent Task Force on Terrorist Financing Sponsored by the Council on Foreign Relations, June 15, 2004. See [http://www.cfr.org/pdf/Revised_Terrorist_Financing.pdf]. The Council on Foreign Relations does not institutionally endorse the studies produced by its independent task forces, and notes that task force members are solely responsible for the content of their respective reports.

The report grouped Saudi Arabia with Pakistan, Egypt, and other Gulf states and regional financial centers as “source and transit countries,” implying that donations to terrorist causes not only originate in these countries but also that donations from other countries pass through them en route to terrorist organizations. The Saudi government responded by charging that the report’s allegations were based on “false and inconclusive information.”⁷ A Treasury Department spokesperson reportedly described the report as “seriously flawed” because in the Department’s opinion it did not describe new initiatives adequately.⁸

The task force’s second report, released in June 2004, updates the first report and chronicles the steps the Saudi Arabian government has taken to strengthen its financial, legal, and regulatory systems and to combat terrorist financing since late 2002. According to the report, the Saudi government has “announced the enactment or promulgation of a profusion of new laws and regulations and the creation of new institutional arrangements that are intended to tighten controls over the principal modalities of terrorist financing.” The report welcomes these steps and concludes that “on a comparative basis Saudi Arabia has recently taken more decisive legal and regulatory action to combat terrorist financing than many other Muslim states.”

The second report also identifies several areas in which its authors argue Saudi authorities can do more to combat terrorist financing. It argues that additional action is essential “because of the fundamental centrality that persons and organizations based in Saudi Arabia have had in financing militant Islamist groups on a global basis.” The report cites a lack of publicly available enforcement information as the basis for its questions about the Saudi government’s commitment to implement its new terrorist financing laws and regulations. For example, the report specifically criticizes the Saudi government’s “failure to punish, in a demonstrable manner, specific and identified leaders of charities found to be funneling money to militant Islamist organizations.” Saudi authorities claim to have prosecuted five individuals “for terror financing” and frozen the assets “of number of other individuals.”⁹

In response to the second report’s release, Adel Al Jubeir, foreign policy advisor to Saudi Crown Prince Abdullah and chief Saudi spokesman, charged that the task force’s conclusions were “politically motivated, ill-informed, and factually incorrect.”¹⁰ A Treasury Department spokesperson reportedly agreed with the report’s assertion that Saudi Arabia should take further steps to combat terrorist financing.¹¹

⁷ Royal Embassy of the Kingdom of Saudi Arabia, “Response to CFR Report,” October 17, 2002. Available at [<http://www.saudiembassy.net/2002News/Press/PressDetail.asp?cYear=2002&cIndex=54>].

⁸ Douglas Farah, “Report: Terror Funds Flow Through Saudi Arabia,” *Washington Post*, October 16, 2002.

⁹ Adel Al Jubeir, Interview Transcript: *CNN Late Edition*, June 15, 2004.

¹⁰ Adel Al Jubeir, “Saudi Arabia Blasts CFR Task Force Report,” June 15, 2004. Available at [<http://www.saudiembassy.net/2004News/Press/PressDetail.asp?cIndex=223>].

¹¹ *Reuters*, “Saudis Doing Better Battling Terror Funding-Report,” June 15, 2004.

The September 11 Lawsuit. In mid-August 2002, the families of more than 600 victims of the September 11 attacks filed a suit for approximately \$1 trillion against three members of the Saudi royal family, a number of financial institutions and individuals, and the government of Sudan. The suit, which the Saudi media have described as an attempt to extort Saudi deposits in the United States, alleges that the defendants enabled the September 11 attacks to occur by making financial resources available to the perpetrators. On November 14, 2003, however, Judge James Robertson of the U.S. District Court of the District of Columbia ruled that two of the leading defendants, Defense Minister Prince Sultan and former Director of Intelligence Prince Turki, were entitled to foreign sovereign immunity for their official acts. [Burnett v. Al Baraka Inv. and Development Corp., 292 F.Supp.2d 9 (D.D.C. 2003)]¹²

Linde v. Arab Bank. On July 2, 2004, six families of victims killed or injured in terrorist attacks in Israel filed a civil lawsuit against Arab Bank PLC of Jordan in the U.S. District Court of New York seeking \$875 million in damages. Although the Saudi government is not a party to the lawsuit, the complaint alleges that the Saudi Committee for the Support of the Al Quds Intifada used accounts established at Arab Bank as conduits for funds to charities and individuals in the West Bank and Gaza Strip associated with the Islamic Resistance Movement (Hamas), Islamic Jihad, and other terrorist entities (for a full description of the Committee, see 'Funding for Palestinian Organizations' below). The complaint also alleges that the Saudi Committee used accounts in Arab Bank and Arab Bank branches in the Palestinian territories to provide "insurance benefits" to the families of suicide bombers and others killed or detained in confrontations with Israeli security forces. In 2003, the Central Bank of Jordan ordered all Jordanian banks "to freeze any dealing" with six Hamas figures and associated charities. In response to the lawsuit Shukri Bishara, a senior executive at Arab Bank, reportedly said that "the accusations are completely false and baseless and Arab Bank never participated in any activity knowingly that could lead to violence."¹³ A Saudi embassy official also reaffirmed that the Saudi government has not provided financial support for terrorism.¹⁴ [Linde et al. v. Arab Bank, 04 CV 02799 (E.D.N.Y. filed July 2, 2004)]

Scrutiny of Riggs Bank. The Riggs National Bank, which for two decades had been the chief banker for the Royal Embassy of the Kingdom of Saudi Arabia in Washington, has come under scrutiny from U.S. Treasury and law enforcement officials and has been fined \$25 million "for numerous violations of the Bank Secrecy Act."¹⁵ In 2003, Riggs began filing "suspicious activity reports" (SARs) of unusual or unexplained transactions involving the Saudi Embassy's bank accounts.

¹² See also Carol D. Leonnig, "Judge Rejects Saudi Terrorist Link," *Washington Post*, Nov. 15, 2003.

¹³ *Agence France Presse*, "Arab Bank Denies Allegations it Funded Terrorists," July 7, 2004.

¹⁴ Personal communication with CRS analyst, July 13, 2004.

¹⁵ See Office of the Comptroller of the Currency, "OCC Assesses \$25 Million Penalty Against Riggs Bank N.A.," May 13, 2004. Available at [<http://www.occ.treas.gov/scripts/newsrelease.aspx?Doc=5AOF8K.xml>].

Saudi accounts at Riggs were closed in early March 2004 at the bank's initiative, according to some sources, but Saudi sources say it was a Saudi decision to end the relationship.¹⁶ On May 13, 2004, federal regulators fined Riggs \$25 million for failing to actively monitor financial transfers through Saudi Arabian and other bank accounts.¹⁷ The FBI is currently investigating the activities of the former chief federal bank examiner for Riggs from 1998 to 2002, the period in which alleged money laundering violations occurred. In 2002, the official left the Treasury Department to become a vice president at Riggs.¹⁸

Joint Congressional Report. The declassification and release in mid-2003 of the report of the Joint Inquiry into Intelligence Community Activities before and after the Terrorist Attacks of September 11, 2001 also brought attention to the alleged role of Saudi Arabia in supporting terrorism. In the 900-page report, a crucial chapter on foreign support for the hijackers is virtually all blanked out — 28 pages in all — because the Administration refused on national security grounds to release the chapter in a public forum. There has been speculation about the degree to which the deleted pages might reveal Saudi complicity in the September 11 attacks. According to the press, persons who claim to have read the still-classified section of the report say it covers Saudi links with individuals involved in the attacks.¹⁹ The Saudi foreign minister appealed to President Bush to publish the censored pages so as to enable Saudi Arabia to rebut these suspicions, but the President refused on the grounds that an ongoing investigation of the September 11 attacks might be compromised.²⁰

The Brisard "U.N." Report. A controversial private report issued by French investigator Jean-Charles Brisard in December 2002 made several detailed allegations about the involvement of prominent Saudi nationals in the financing of international terrorist organizations. The United Nations Security Council did not solicit or endorse Brisard's report, although it has been mischaracterized as a U.N. report in the public record.²¹ Although most public allegations of Saudi support for terrorist activities have not quantified the amounts of money involved, Brisard's

¹⁶ Timothy O'Brien, "A Washington Bank In a Global Mess," *New York Times*, Apr. 11, 2004; Kathleen Day and Terence O'Hara, "U.S. Ready To Fine Riggs Bank; Saudi Embassy Money Reports Scrutinized," *Washington Post*, Apr. 18, 2004 (corrected Apr. 27).

¹⁷ Timothy L. O'Brien, "Regulators Fine Riggs \$25 Million," *New York Times*, May 14, 2003.

¹⁸ Kathleen Day, "Treasury D. Probing Former Riggs Examiner," *Washington Post*, June 17, 2004.

¹⁹ James Risen and David Johnston, "Report on September 11 Suggests a Role by Saudi Spies," *New York Times*, Aug. 2, 2003.

²⁰ Mike Allen, "Bush Won't Release Classified September 11 Report," *Washington Post*, July 30, 2003, p. A1; David Johnson and Douglas Jehl, "Bush Refuses to Declassify Saudi Section of Report," *New York Times*, July 30, 2003.

²¹ An April 29, 2004 correction appended to Joel Mowbray, "Saudis Behaving Badly," *National Review Online*, December 20, 2002, reads, "The Brisard Report was an unsolicited document submitted to the U.N. by its author." See also a private letter written by former U.N. Security Council President Alfonso Valdieso that disassociates the U.N. from Brisard's report. Available at [http://www.binmahfouz.info/pdf/faqs_5_jsb_12march.pdf].

report asserted that Al Qaeda received between \$300 million and \$500 million during the decade prior to 2002, by “abusing this pillar of Islam [charitable donations] and taking advantage of the Saudi regulatory vacuum.”²² Brisard described Saudi donors as “wealthy businessmen and bankers.” The report has been the subject of a lawsuit in the United Kingdom regarding defamation of character, and a British High Court ruled in July 2004 that allegations contained within the report were “untrue.”²³ [Mahfouz v. Brisard & Others, High Court of Justice, Queen’s Bench Division, United Kingdom - [2004] EWHC 1735 (QB)]

Allegations of Support for Iraqi Insurgents. In October 2004, an unidentified Defense Department official told the press that private Saudi individuals and charities were channeling funds to insurgent groups in Iraq.²⁴ Saudi officials vigorously denied the claims and appealed for U.S. officials to provide concrete information in support of the charges so that Saudi authorities could investigate and prosecute any individuals or entities that may have been involved.²⁵ In December 2004, press reports cited intelligence gathered following U.S. military operations, including the November 2004 assault on Fallujah, which indicated that “a handful of senior Iraqi Baathists operating in Syria are collecting money from private sources in Saudi Arabia and Europe” and are channeling it to insurgent groups.²⁶

Saudi Arabia has contributed \$1 billion in loans and credits to reconstruction efforts in Iraq, and U.S. officials have engaged Saudi authorities regarding forgiveness of Iraqi debt.²⁷ The Saudi government administers official aid programs in Iraq under the supervision of the Saudi Committee for the Relief of the Iraqi People and the Saudi Red Crescent Society. Prince Nayef bin Abd Al Aziz, the Saudi Minister of Interior, directs the Committee’s operations. The Committee held a fundraising telethon in April 2003, which reportedly raised \$11.5 million for relief efforts in Iraq.²⁸ In May 2003, the Saudi government established an official government bank account, Unified Account Number 111, to consolidate public and private donations in support of the Iraqi people.²⁹ Saudi press reports describing the operations of the Committee and the Red Crescent Society indicate that numerous

²² Jean-Charles Brisard, *Terrorism Financing: Roots and Trends of Saudi Terrorism Financing*. JCB Consulting, Dec. 19, 2003. Available at [<http://www.nationalreview.com/document/document-un122002.pdf>].

²³ The full text of the Court’s judgment is available at [http://www.binmahfouz.info/pdf/faq_4_judgment.pdf].

²⁴ John Lumpkin, “Insurgents Infiltrating Iraq Have Cash,” *Associated Press*, Oct. 22, 2004.

²⁵ Royal Embassy of Saudi Arabia, “Saudi Official Refutes Allegation that the Kingdom is Neglecting Issue of Funding to the Iraqi Insurgency,” October 23, 2004.

²⁶ Thomas E. Ricks, “Rebels Aided By Allies in Syria, U.S. Says,” *Washington Post*, December 8, 2004.

²⁷ Paul Richter, “Nations Slow to Deliver Iraq Aid,” *Los Angeles Times*, July 12, 2004.

²⁸ Agence France Presse, “Saudi Telethon Raises \$11.5 Million for Iraqis,” Apr 28, 2003.

²⁹ See Royal Embassy of the Kingdom of Saudi Arabia, “Bank Account Ready to Receive Donations for Iraqi Aid,” April 24, 2003. Available at [<http://www.saudiembassy.net/2003News/News/RelDetail.asp?cIndex=737>]

shipments of food aid and medical supplies have been delivered across Iraq since April 2003, including shipments to the former-insurgent stronghold of Fallujah during the summer of 2004.³⁰

Funding for Palestinian Organizations

Support for Palestinian causes and the provision of humanitarian aid to Palestinians has long been an important component of Saudi foreign policy, and many Saudis identify strongly with the Palestinian people and view support for Palestinian causes as a religious, cultural, or, in some cases, political obligation. Repeated allegations made by Israeli and Western sources have contended that Saudi support for Palestinian institutions and individuals has directly or indirectly supported Palestinian terrorist groups, although public reporting has not conclusively linked official Saudi government support to Palestinian terrorist organizations.

Saudi Arabia, like other Arab states, recognizes the Palestine Liberation Organization (PLO) as the legitimate representative of the Palestinian people and provides some financial support to Palestinian institutions sponsored by the PLO. A 2002 Saudi government report stated that overall government and private aid to the Palestinians had reached \$2.61 billion.³¹ Currently, Saudi officials say that government support to Palestinian causes, approximately \$80 million to \$100 million per year, goes solely to the Palestinian Authority, which was established pursuant to the Israeli-Palestinian agreement of September 13, 1993, known as the first Oslo Accord.³²

Officially Sanctioned Relief Efforts

Saudi Committees. Within Saudi Arabia, two official charitable committees have solicited and delivered aid to Palestinian institutions, individuals, and causes since the onset of the second Palestinian intifada in October 2000: the Saudi Popular Committee for Assisting the Palestinian Mujahideen and the Saudi Committee for the Support of the Al Quds Intifada. According to Saudi press reports, Prince Salman bin Abd Al Aziz, the governor of Riyadh Province, established the Popular

³⁰ *Agence France Presse*, "Saudi Arabia Sends Aid to Residents of Iraqi Rebel Bastion," June 10, 2004; and *BBC Monitoring International Reports*, "Saudi Arabia Sends Relief to Iraq's Al-Fallujah," Saudi TV1 (Riyadh), August 8, 2004.

³¹ Royal Embassy of the Kingdom of Saudi Arabia, "Kingdom's Aid to Palestenians (sic.) Nears Ten Billion Saudi Riyals," May 2, 2002. Available at [[http://www.saudiembassy.net/2002 News/News/ForDetail.asp?cIndex=1122](http://www.saudiembassy.net/2002%20News/News/ForDetail.asp?cIndex=1122)]. It is unclear if this figure included contributions to the Saudi-sponsored, multilateral Al Aqsa and Al Quds Intifada (Jerusalem uprising) funds established by 22 Arab leaders in October 2000. See [<http://www.saudiembassy.net/2000News/Statements/StateDetail.asp?cIndex=357>].

³² Don Van Natta, Jr, with Timothy L. O'Brien, "Flow of Saudi's Cash to Hamas Is Scrutinized," *New York Times*, Sept. 17, 2003, pp. A1, A10.

Committee and has directed its operations.³³ The Popular Committee's periodic public reports indicate that it provided approximately \$8.8 million to the PLO from October 2000 to April 2003.³⁴

The Saudi Committee for the Support of the Al Quds Intifada has served as the main conduit for Saudi financial and material aid to the Palestinian territories since its establishment under Royal Decree 8636 on October 16, 2000. Prince Nayef has directed the Committee's operations since its establishment. A December 31, 2003 report issued by the Saudi Embassy in Washington stated that the costs of the Al Quds Intifada Committee's 31 relief programs amounted to 524,265,283 Saudi riyals (SR) [\$139,804,075], in addition to the costs of then-current projects, which amounted to a further 203,699,433 SR [\$54,302,249]. The report also stated that "the value of the services provided by the Committee to the Palestinian people" through December 2003 was equal to an additional 727,964,716 SR [\$194,123,924].³⁵

The Al Quds Intifada Committee's periodic public reports describe millions of riyals in monetary aid that its programs have provided to the Palestinian people in the form of financial transfers to the Palestinian Authority (PA), donations to charitable organizations in the West Bank and Gaza Strip, and by means of direct assistance to over 35,000 needy Palestinian individuals. In addition to financial assistance, the Al Quds Intifada Committee also has provided food, blankets, medicine, ambulances, and other aid in kind through programs aimed at supporting health care, education, and the provision of basic social services in the Palestinian territories that have been disrupted during the current uprising. The Committee has also constructed hundreds of homes for Palestinians that have been left homeless due to the ongoing violence. Palestinian officials have reportedly praised the Committee's support for the Palestinian people.

In June 2004, the Saudi government announced that the future activities of all Saudi charitable committees and organizations that send aid abroad (including "the Palestinian committees") will be monitored and directed by the Saudi Nongovernmental National Commission for Relief and Charity Work Abroad.³⁶ As

³³ In one press report, Prince Salman asserted that the Popular Committee had been established after the 1967 Arab-Israeli War "with the aim of assisting the Palestinians." It is unclear if the Popular Committee operated over a thirty year period or was reactivated in October 2000. See *Arab News* (Jedda) "Salman Rejects Terrorism Charges Against Charities," November 3, 2002.

³⁴ Data compiled from official and non-official Saudi press reports spanning the period from October 2000 to April 2003. See *Saudi Press Agency*, "PLO gets more than SR 1.8 million from the Popular Committee for Assisting the Palestinian Mujahideen," April 22, 2003, and Foreign Broadcast Information Service (FBIS) reports: "Press Summary — Saudi Leadership Report," Oct. 1-15, 2000 through June 16-30, 2004.

³⁵ Royal Embassy of the Kingdom of Saudi Arabia, "Humanitarian Relief Handed Over to Palestinian Officials in Kingdom," Dec. 31, 2003. See [<http://www.saudiembassy.net/2003/News/News/ForDetail.asp?cIndex=1189>].

³⁶ Adel Al Jubeir, "U.S. and Saudi Officials Hold a News Conference on a Major (continued...)"

of December 2004 it was unclear if this National Commission was operational or if either of the two Committees described above continued to operate.

Relief Coordination. Since 2000, both Committees have issued public solicitations encouraging Saudi citizens to make donations to support the welfare of the Palestinian people. In one often cited instance, the Al Quds Intifada Committee organized a telethon sponsored by King Fahd in April 2002 that raised over \$110 million for families of Palestinians killed or injured in the uprising.³⁷ Saudi officials told their U.S. counterparts that the proceeds of this telethon were funneled through non-governmental organizations to provide humanitarian support to needy Palestinian families.

Unified Accounts. Saudi press reports indicate that the Al Quds Intifada Committee consolidated the proceeds of its fund-raising efforts along with public and private donations in support of Palestinian causes in national, government-sponsored unified accounts established in a number of Saudi banks.³⁸ “Unified Account Number 98” and “Unified Account Number 90” are referred to in Saudi press reports describing the Al Quds Intifada Committee’s activities, although it is unclear if both accounts existed simultaneously, if they are synonymous, if one superceded the other, or if either still exists.³⁹ According to Saudi press reports, Saudi citizens were encouraged to make donations to these accounts at their local banks.

Delivery Mechanisms. Once collected, the proceeds of the Al Quds Intifada Committee’s fundraising efforts were delivered to Palestinian beneficiaries in a variety of ways. Material aid collected by the Committee, such as food, clothing, blankets, and vehicles, was delivered in cooperation with third parties such as the Jordanian Red Crescent Society and the United Nations Relief and Works Agency (UNRWA). The Committee also developed a special process to transfer financial aid to Palestinian individuals in cooperation with Jordan’s Arab Bank PLC.⁴⁰

³⁶ (...continued)

Development in the War on Terrorism,” Federal Document Clearing House Transcript, June 2, 2004. The Commission’s creation was originally announced in late February 2004.

³⁷ Royal Embassy of the Kingdom of Saudi Arabia, “Telethon for Palestinian Victims Highly Successful,” April 14, 2002. See [<http://www.saudiembassy.net/2002News/News/ForDetail.asp?cIndex=1132>].

³⁸ *Saudi Press Agency*, “Prince Urges Donations for Jerusalem,” October 10, 2000. The press report lists “the National Commercial Bank, the Saudi-American Bank, Al Rajhi Banking and Investment Corporation, the Saudi-British bank, the Saudi-Dutch Bank, the Arab National Bank, the Saudi-French Bank, and Al Riyadh Bank” as sponsors of Unified Account 98. FBIS Translations GMP20001006001246 and GMP20001021000192. See also Robert Lenzner and Nathan Vardi, “Terror Inc.,” *Forbes*, October 18, 2004.

³⁹ Later, in an April 2002 interview, high-ranking Committee official Dr. Sa’id Al Urabi Al Harithi stated that “All relief agencies that collect funds in support of the Palestinians deposit the funds in the Committee’s Account Number 90.” FBIS Translations GMP20001006001246 and GMP20020419000070.

⁴⁰ The Committee’s website and Committee officials (see below) state that the Al Quds Intifada Committee opened accounts in Arab Bank PLC, which operates 22 local branches (continued...)

In an April 2002 interview Dr. Sa'id Al Urabi Al Harithi, the "chairman of the Executive Committee in Support of the Al Aqsa Intifada" and an advisor to Prince Nayef, provided details about the process used to identify beneficiaries and deliver financial aid to them:⁴¹

- Using information provided by "welfare societies" and "official sources" in the Palestinian territories, the Al Quds Intifada Committee prepared lists of potential beneficiaries drawn from the ranks of "the wounded, the families of martyrs, the families of prisoners and disabled persons," and families that had been affected by the uprising. The word "martyr" is used to refer to those killed as a result of violence (usually Israeli actions).⁴²
- Then, a "central committee" conducted a "general study" of the lists and verified "the names of the beneficiaries, their telephone numbers, social conditions, addresses, and the date and type of injury." According to Al Harithi, the Committee would "coordinate with the Palestinian Authority and the [Palestinian] ambassador on the information in [the lists]" to confirm that it was "precise, correct, and clear."
- Once the information had been confirmed and approved, the Committee, in coordination with "the National Arab Bank,"⁴³ opened a bank account in the beneficiary's name, into which a standard amount of riyals or dollars were transferred based on the individual's circumstances and the criteria set by the Committee for each of its different programs. For example, "the committee allocated 20,000 riyals [\$5,333] for the family of each martyr," and "the sum of 10,000 Saudi riyals [\$2,666] for every prisoner."
- After the deposit had been made, a team in the Palestinian territories followed up "on the process of delivering aid directly to the

⁴⁰ (...continued)

throughout the West Bank and Gaza Strip. The Committee's website, [<http://www.alquds-saudi.org>], discusses the use of Arab Bank PLC branches as conduits to transfer funds to beneficiaries.

⁴¹ "Saudi Al Aqsa Intifadah Committee Chief on Delivering Donations to Palestinians," *Jedda Ukaz*, April 2002. FBIS Translation - GMP20020419000070.

⁴² "The Saudi government offers assistance to the families of those killed, and these, the victims of the violence, are often referred to as martyrs. Nevertheless, the Saudi government does not condone the act of killing oneself and killing others by means of suicide bombings, and Saudi religious leaders have condemned the taking of innocent lives." See [<http://www.saudiembassy.net/2002News/Statements/StateDetail.asp?cIndex=146>]

⁴³ Jordan's Arab Bank PLC owns a 40% stake of Saudi Arabia's Arab National Bank. Although the Committee clearly states that funds were delivered via Arab Bank PLC branches it is unclear what role, if any, Saudi Arabia's Arab National Bank played in the process.

beneficiaries” and filed “regular reports to the Saudi Committee in Support of the Al Quds Intifada.”

Allegations of Support for Palestinian Terrorists

Allegations of Support for the Families of Suicide Attackers. In May 2002, Israeli officials released a report that alleged that the Saudi Committee for the Support of the Al Quds Intifada had “transferred large sums of money to families of Palestinians who died in violent events, including notorious terrorists.”⁴⁴ The report argued that this alleged financial support encouraged Palestinian terrorism by easing the potential burden on the families of attackers. Saudi officials called the allegations “baseless and false,” and stated “unequivocally that Saudi Arabia does not provide financial support to suicide bombers or their families.”⁴⁵ Saudi officials also questioned the claim that Palestinian suicide attacks were financially rather than politically motivated. Statements made by Committee figures in response to specific claims that the Al Quds Intifada Committee provided support to the families of suicide bombers or otherwise supported terrorism have been less consistent.⁴⁶ Saudi government spokesman Adel Al Jubeir has discussed the possibility that money from the Committee may have gone to the families of suicide bombers, but has categorically ruled out the existence of any quid pro quo arrangement or reward system similar to that sponsored by former Iraqi President Saddam Hussein.⁴⁷

Saudi Committee Website. The Al Quds Intifada Committee website, currently maintained in the name of “the Saudi Committee for Relief of the Palestinian People,”⁴⁸ contains over 40,000 transaction records that feature the names individuals who received humanitarian aid and financial support from the

⁴⁴ Ben Barber, “Saudi Millions Finance Terror Against Israel,” *Washington Times*, May 7, 2002. Israel also released allegedly seized documents that featured “the letterhead of the ‘Saudi Arabian Committee for Support of the Al Quds Intifada.’”

⁴⁵ See Royal Embassy of the Kingdom of Saudi Arabia, “The Kingdom of Saudi Arabia Responds to False Israeli Charges,” May 6, 2002. Available at [<http://www.saudiembassy.net/2002News/Press/PressDetail.asp?cYear=2002&cIndex=36>] and Royal Embassy of the Kingdom of Saudi Arabia, “Saudi Arabia Doesn’t Reward Terrorism,” May 11, 2002. Available at [<http://saudiembassy.net/2002News/News/TerDetail.asp?cIndex=45>]

⁴⁶ Dr. Sa’id Al Urabi Al Harithi stated in April 2002 that the Al Quds Intifada Committee had “nothing to do with terrorism” and “nothing to do with politics,” and added that Saudi Arabia “rejects and fights terrorism.” [FBIS Translation GMP20020419000070] In May 2002, Mubarak Al Biker, the “executive manager” of the Al Quds Intifada Committee, stated “we support the families of Palestinian martyrs, without differentiating between whether the Palestinian was a bomber or was killed by Israeli troops.” Ra’id Qusti, “Saudi Telethon Funds Go Direct to Palestinian Victims,” *Arab News* (Jedda), May 27, 2002. Available at [<http://www.arabnews.com/?page=1§ion=0&article=15591&d=27&m=5&y=2002>].

⁴⁷ See Royal Embassy of the Kingdom of Saudi Arabia, “Saudi Arabia Does Not Support Terrorism,” Interview Published in *National Journal*, May 11, 2002. Available at [<http://www.saudiembassy.net/2002News/Statements/TransDetail>]s Said to Get Iraq Millions,” *Boston Globe*, May 30, 2002.

⁴⁸ The website [<http://www.alquds-saudi.org/>] cites Royal Decree 8636 as the basis for the establishment of the “Relief Committee.”

Committee. The website states that “many accounts were opened for the harmed persons at the Arab [B]ank branches in the Palestinian territory, and fixed aids [i.e. donations] were transferred to the harmed people in their respective accounts.”⁴⁹ One of the Committee’s programs supported Palestinian families whose primary breadwinners were killed by Israeli forces or under other violent circumstances during the uprising. Records for this program contain the names of deceased individuals, transaction numbers, the date of their deaths, their home towns, and the circumstances in which they were killed. The Committee’s description of the program indicates that payments of 20,000 SR [\$5,300] were transmitted to the family members of these individuals in their names following their death.

Of the 1,300 names contained in the records for this specific Committee program, over 60 match or closely resemble the names of known Palestinian militants who carried out attacks on Israeli military personnel and civilians from October 2000 to March 2002.⁵⁰ These individuals include suicide bombers and gunmen who were killed during actual and attempted attacks inside Israel and the Palestinian territories. The following is a sample of five names of beneficiaries featured on the Committee website which match those of individuals associated with attacks:⁵¹

- Said Hassan Hussein Hotari - identified as suicide bomber in June 1, 2001, attack on Dolphinarium nightclub in Tel Aviv. Hamas claimed responsibility.⁵²
- Izzedin Shahil Ahmed Masri - identified as suicide bomber in August 9, 2001 attack on Sbarro pizza restaurant in Jerusalem. Hamas claimed responsibility.⁵³

⁴⁹ See [<http://www.alquds-saudi.org/programs/programsDetails.asp?id=1>].

⁵⁰ The Palestinian Human Rights Monitoring Group maintains comprehensive English and Arabic language lists of suicide attackers. These lists contain names that also appear on the Saudi Committee website. Further information provided in these and other Committee records such as individuals’ home towns and dates of death matches information provided in public press accounts of attacks. In some instances, date and name data reflect slight variations and inconsistencies. The PHRMG lists are available at [<http://www.phrmg.org/PHRMG%20Documents/Suicide%20bombers/Tables/>]

⁵¹ The names listed are transcriptions of a sample of five names that appear on the referenced links to the Committee website. Transcriptions of Arabic names often differ in Western media reporting and there is considerable uniformity in Arabic names. Mohammed and Ahmed, for example, are very common Arabic names often found among Palestinians.

⁵² See [<http://www.alquds-saudi.org/programs/beneficiaryDetails.asp?id=96908>] and Jamal Halaby, “Tel Aviv Suicide Bomber Was Muslim,” *Associated Press*, June 3, 2001. Hamas record available at [<http://www.palestine-info.info/arabic/hamas/shuhda/alhotri/alhotri.htm>]

⁵³ See [<http://www.alquds-saudi.org/programs/beneficiaryDetails.asp?id=96909>] and Greg Myre, “Jerusalem Suicide Bomber Kills 15,” *Associated Press*, August 10, 2001. Hamas record available at [<http://www.palestine-info.info/arabic/hamas/shuhda/ezaldenalmasre/almasre.htm>]

- Maher Muhiaddin Kamel Habeishi - identified as suicide bomber in December 2, 2001, attack on Haifa bus. Hamas claimed responsibility.⁵⁴
- Wa'fa Ali Khalil Idris - female, identified as suicide bomber in January 27, 2002 street attack in Jerusalem. The Al Aqsa Martyrs Brigade claimed responsibility.⁵⁵
- Mohammed Ahmed Abdel-Rahman Daraghme - identified as suicide bomber in March 2, 2002 attack on Orthodox Jewish neighborhood in Jerusalem. The Al Aqsa Martyrs Brigade claimed responsibility.⁵⁶

Most of the Committee records assigned to individuals whose names match or closely resemble those of suicide attackers list “assassination” as the cause of death — however other records credit “martyrdom.” A handful of these records indicate that the individuals they refer to were killed during a “martyrdom operation.”⁵⁷

Support to Hamas. Since the early 1990s, there have been unsubstantiated reports of Saudi public and private assistance to the fundamentalist Islamic Resistance Movement (Hamas), which the U.S. government has designated as a foreign terrorist organization.⁵⁸ The Saudi government has not officially described Hamas as a terrorist organization.

In its annual report on terrorism for the year 2001 (*Patterns of Global Terrorism, 2001*), the State Department noted that Hamas receives funding from “private benefactors in Saudi Arabia and other moderate Arab states.” The 2002 and most recent 2003 editions of the report do not mention Saudi Arabia as a specific source of funding for Hamas. Other reports have estimated varying amounts of aid to Hamas from private donations. According to one report, individuals in Saudi

⁵⁴ See [<http://www.alquds-saudi.org/programs/beneficiaryDetails.asp?id=96972>] and Karin Laub, “Islamic Militants Unleash Wave of Terror Against Israel,” Associated Press, December 2, 2001. Hamas record available at [<http://www.palestine-info.info/arabic/hamas/shuhda/maherhobashe/maher.htm>]

⁵⁵ See [<http://www.alquds-saudi.org/programs/beneficiaryDetails.asp?id=97020>] and Hadeel Wahdan, “Family Describes Palestinian Bomber,” *Assoc. Press*, January 30, 2002.

⁵⁶ See [<http://www.alquds-saudi.org/programs/beneficiaryDetails.asp?id=96140>] and Greg Myre, “Suicide Bomber Kills Nine in Jerusalem,” *Associated Press*, March 2, 2002.

⁵⁷ The Arabic text in the “Details” field of these Committee records reads “amaliyah istishadiyah,” a commonly used euphemism for a suicide attack that translates literally to “martyrdom operation.” See, for example, [<http://www.alquds-saudi.org/programs/beneficiaryDetails.asp?id=96940>] and [<http://www.alquds-saudi.org/programs/beneficiaryDetails.asp?id=97139>].

⁵⁸ Some individuals and groups in Europe, North America, and the Middle East have argued that the provision of financial support to Hamas is legitimate because of the social services the organization provides to Palestinians, which they argue are separate from the group’s military wing, the Izzedine Al Qassam Brigades, and its role in conducting terrorist operations.

Arabia have contributed approximately \$5 million to Hamas each year, or approximately half of its annual operating budget.⁵⁹ Saudi spokesman Adel Al Jubeir rejoins that “no Saudi government money goes to Hamas, directly or indirectly.”⁶⁰ Al Jubeir has been quoted as saying that he considers it “very likely” that “some Saudi individuals” have provided financial support to Hamas.⁶¹

Recently, reports citing unidentified U.S. and Israeli intelligence officials have indicated that Saudi funding for Hamas has been curtailed and replaced by other regional sponsors. In June 2004 testimony before the Senate Governmental Affairs Committee, former Treasury Department General Counsel David Aufhauser quoted “informed intelligence sources” as saying that “for whatever reason, the money going to Hamas from Saudi Arabia has substantially dried up.”⁶² Aufhauser indicated that Saudi financial support “has been supplemented by money from Iran and Syria flowing through even more dangerous rejectionist groups in the West Bank.”⁶³ Similarly, a report in the June 23, 2004 edition of the Israeli daily *Maariv* quoted an unidentified Israeli military official as saying that “for the first time in years the Saudis have begun to reduce the flow of funds to Hamas and to the Gaza Strip.”⁶⁴ This unidentified source attributes this change largely to U.S. pressure on Saudi Arabia to stem the flow of funding to Hamas and other terrorist organizations.

Charitable Giving and *Madrasas*

Charitable giving (*zakat*) is a religious obligation for Muslims, constituting one of the five “pillars of Islam.” Many wealthy Saudis contribute approximately 2.5 percent of their annual income to charitable causes and relief organizations that fund religious education programs, orphanages, hospitals, and other development projects both within Saudi Arabia and around the world. One expert estimates Saudi charitable donations, in general, to be about \$3 billion to \$4 billion annually, of which 10-20% is disseminated abroad.⁶⁵ Saudi officials estimate that \$100 million

⁵⁹ Don Van Natta, Jr, with Timothy L. O’Brien, “Flow of Saudi’s Cash to Hamas Is Scrutinized,” *New York Times*, Sept. 17, 2003, pp. A1, A10.

⁶⁰ Ibid.

⁶¹ *Agence France Presse*, “Saudi Official Condemns Terrorism, But Not Hamas,” June 12, 2003.

⁶² David Aufhauser, testimony before the U.S. Senate Committee on Governmental Affairs, June 15, 2004, transcript provided by Federal Document Clearing House.

⁶³ Ibid.

⁶⁴ Amir Buhbut, “Saudis Cutting Back Hamas Funding,” *Maariv*, June 23, 2004. Available at [<http://www.maarivintl.com/index.cfm?fuseaction=article&xCache={ts%20'2004-06-29%20%21:43:06'}&articleID=8940>].

⁶⁵ Jonathan M. Winer, Congressional testimony before the Committee on Senate Governmental Affairs, July 31, 2003. Mr. Winer, a former State Department official, is an independent consultant.

in charitable donations are directed abroad each year.⁶⁶ It is unclear how much money is channeled from Saudi Arabian donations towards charitable endeavors in the United States, but some estimates suggest that \$100 million has been donated over the last decade.⁶⁷ To what extent these donations have stemmed from the Saudi government or from private individuals is unknown.

Charity Oversight

In response to criticism and allegations of involvement in terrorist financing directed at Saudi Arabian charitable organizations, the Saudi government has taken a series of steps to provide greater oversight to charitable giving in the Kingdom. In December 2002, the government announced the creation of the High Commission for Oversight of Charities to provide assistance to Saudi Arabian charities in reforming their operations and improving their transparency.⁶⁸ At that time, Saudi officials also indicated that all Saudi charities had been audited; however, the results of those audits have not been made publicly available.

In May 2003, the Saudi government introduced new banking regulations that prohibited private charities⁶⁹ and relief groups from transmitting funds overseas, until further regulations could be instituted to ensure that the money would not be channeled to terrorist organizations.⁷⁰ The new banking regulations do not place similar restrictions on the operations of “multilateral” charitable organizations based in Saudi Arabia, such as the Muslim World League (MWL), the International Islamic Relief Organization (IIRO), or the World Assembly of Muslim Youth (WAMY), which actively raise funds among the Saudi population.⁷¹

⁶⁶ Adel al-Jubeir, “U.S. and Saudi Officials Hold a News Conference on a Major Development in the War on Terrorism,” Federal Document Clearing House Transcript, June 2, 2004.

⁶⁷ John J. Miller, “On the House...of Saud, that is: the Kingdom’s Spending in America,” *National Review*, 54, no. 6: 2002, p. 19.

⁶⁸ Adel al-Jubeir, “Saudi Plans to Fight Terrorism,” Federal News Service, Dec. 3, 2002.

⁶⁹ It is estimated that there are 267 charities operating in Saudi Arabia. See Jamil al-Dhiyabi, “Supervisor of Saudi Charities to al-Hayat: There Are No Deception or Illegal Remittances in Our Work; Ministry To Apply New Measures Starting Next Year,” *Al-Hayat* (London, in Arabic), October 6, 2003, translation by Foreign Broadcast Information Service (FBIS) online.

⁷⁰ Royal Embassy of the Kingdom of Saudi Arabia, “Saudi Arabian Monetary Agency Implements New Regulations Regarding Charities,” June 12, 2003. Available at [<http://www.saudiembassy.net/2003News/Press/PressDetail.asp?cYear=2003&cIndex=99>].

⁷¹ See Saudi Arabian Monetary Authority, “Rules Governing the Opening of Bank Accounts in Saudi Arabia and General Operational Guidelines,” April 2003, Section 300-1-6-5. In June 2004, the Northern Virginia offices of the WAMY were raided by FBI and Customs officials in relation to a terrorism investigation. WAMY spokesmen have repeatedly denied the group is linked to terrorist organizations.

In February 2004, King Fahd issued a royal decree establishing the Saudi Nongovernmental Commission on Relief and Charity Work Abroad.⁷² The Commission was publicly reintroduced in June 2004, and described as “the sole vehicle” through which all private Saudi donations marked for international distribution will flow in the future.⁷³ Once the Commission is operational, Saudi charities with overseas operations will either be dissolved or have their assets consolidated under the control of the new Commission. The extent to which these government steps will be effective remains to be seen.

Action Against Questionable Charity

The Saudi government recently dissolved the Al Haramain Islamic Foundation, a large charity with links to the royal family, after years of sustained criticism and a series of joint U.S.-Saudi actions relating to its alleged involvement in terrorist financing. U.S. investigators have linked a former Al Haramain employee to the 1998 U.S. embassy bombing in Tanzania,⁷⁴ and a June 2, 2004 Treasury Department statement called Al Haramain “one of the principal Islamic NGOs providing support for the Al Qaida [variant transcription of Arabic word] network and promoting militant Islamic doctrine worldwide.”⁷⁵ Since March 2002, the United States and Saudi Arabia have jointly designated 11 overseas branches of Al Haramain as front organizations for terrorist activities. The two countries have asked the U.N. Al Qaeda and Taliban Sanctions Committee (which monitors sanctions pursuant to U.N. Security Council Resolution 1267) to add the branches to the Committee’s consolidated list of terrorists tied to Al Qaeda and the Taliban.⁷⁶ U.S. authorities also designated Al Haramain’s founder and director, Aqeel Abdulaziz Al Aqil, as a supporter of terrorism in June 2004.⁷⁷ In early January 2004, Al Aqil had stepped down from his position and remains in Saudi Arabia. Al Aqil’s successor, Dabbas Al Dabbasi, resigned as director of the organization on July 14, 2004 because of “the

⁷² *Agence France Presse*, “Saudi Arabia to Create Body for All Charity Abroad after Terror Charges,” Feb. 28, 2004.

⁷³ Adel al-Jubeir, “U.S. and Saudi Officials Hold a News Conference on a Major Development in the War on Terrorism,” Federal Document Clearing House Transcript, June 2, 2004.

⁷⁴ U.S. Department of the Treasury, “JS-1108: Treasury Announces Joint Action with Saudi Arabia Against Four Branches of al-Haramain In The Fight Against Terrorist Financing,” January 22, 2004. Available at [<http://www.treasury.gov/press/releases/js1108.htm>].

⁷⁵ U.S. Department of the Treasury, “JS-1703: Additional al-Haramain Branches, Former Leader Designated by Treasury as Al Qaida Supporters,” June 2, 2004. Available at [<http://www.ustreas.gov/press/releases/js1703.htm>].

⁷⁶ The designated branches are: Indonesia, Pakistan, the Netherlands, Afghanistan, Albania, Kenya, Tanzania, Bangladesh, Ethiopia, Bosnia, and Somalia.

⁷⁷ The designation of individuals and organizations under the regulations blocking or freezing terrorist assets requires an administrative determination by the Secretary of State or the Secretary of the Treasury, in consultation with one another and with the Attorney General. The initial determination is conducted without input from the subject of the determination and, thus, at this stage, the rigorous standards applicable to adversarial legal procedures such as criminal or civil trials are inapplicable.

freezing of the establishment's internal accounts and the inability to give charitable support.”⁷⁸ Saudi officials indicate that Al Haramain's international operations will be absorbed by the new Nongovernmental Commission for Relief and Charity Work Abroad.

Saudi Support to Religious Schools (*Madrasas*)⁷⁹

Madrasas are religious schools that have historically existed throughout the Muslim world. Their curricula varies regionally and culturally; however for the most part these schools provide a religiously-based education, focusing on the Quran and other Islamic texts, usually to students at the primary or secondary school age. *Madrasas* offer a free education, room, and board to their students, and thus they appeal to impoverished families and individuals. On the whole, these religious schools are supported by private donations from Muslim believers through *zakat*.

On a global front, concern has been expressed over the spread of radical Islam through Saudi-funded schools, universities, and mosques, which exist in many countries including Bangladesh, Bosnia-Herzegovina, Indonesia, Pakistan, Uzbekistan, Spain, and even in the United States. Some view the teaching of Saudi Wahhabism, an Islamic movement that encourages a return to the pure and orthodox practice of the “fundamentals” of Islam, as threatening the existence of more moderate beliefs and practices in other parts of the Muslim world. In November 2003, a Saudi Embassy spokesman indicated in a press release that “we do not fund the so-called radical *madrassas* [variant transcription of Arabic word] that people accuse us of funding, because that goes against our policy.”⁸⁰ To date, there are no published reports on the aggregate amount of funding which has been donated from inside Saudi Arabia to specifically support the building of *madrasas* worldwide.

Saudi Counter-Terrorism Efforts

Post-September 11 Actions

Saudi officials maintain that they are working closely with the United States to combat terrorism, which they say is aimed as much at the Saudi regime as it is at the United States. A month after the September 11 attacks, the Saudi Government announced that it would implement U.N. Security Council Resolution 1373, which called for freezing terrorist-related funds. The Saudi Arabian Monetary Agency has issued a number of “white papers” detailing actions taken by Saudi Arabia to combat terrorist financing. The most recent update, issued in April 2004, addresses various

⁷⁸ Majid Al-Kanani, “Al-Haramain Director Resigns,” *Arab News* (Jeddah), July 15, 2004.

⁷⁹ This section of the report was prepared by Febe Armanios. For more details on *madrasas*, see CRS Report RS21654, *Islamic Religious Schools, Madrasas: Background*. See also pages 1 and 10 of this report.

⁸⁰ Royal Embassy of the Kingdom of Saudi Arabia, “Statement by Adel Al Jubeir, Foreign Affairs Advisor to the Crown Prince,” November 14, 2003, Available at [http://www.saudiembassy.net/press_release/releases/03-PR-1114-terrorism.htm].

steps including adopted legislation, implemented regulations and resolutions, and cooperation with the United States.⁸¹

In the past, U.S. officials, while acknowledging Saudi efforts, have expressed frustration with Saudi reluctance to share information gleaned from Saudi investigations of terrorist incidents and to move against organizations and individuals suspected of involvement in terrorism. Since mid-2003, however, the Saudi government seems to have become increasingly convinced of the seriousness of the terrorist threat and its attendant financing. Many commentators attribute this increased Saudi concern to terrorist bombings of compounds in the Saudi capital of Riyadh in May and November 2003, both linked by U.S. and Saudi officials to Al Qaeda.⁸² Two more attacks in the spring of 2004 in which most victims were non-U.S. support the theory that the continuing attacks are aimed primarily at destabilizing Saudi Arabia. At a hearing before the Senate Select Committee on Intelligence on February 24, 2004, then-Director of Central Intelligence George Tenet stated that “since the May 12th bombings, the Saudi government has shown an important commitment to fighting Al Qaida in the kingdom, and Saudi officers have paid with their lives.” The State Department’s most recent issue of *Patterns of Global Terrorism* states that the May and November 2003 attacks “galvanized Riyadh into launching a sustained crackdown against Al Qa’ida’s presence in the Kingdom and spurred an unprecedented level of cooperation with the United States.”

Joint Task Force. Shortly after the May 2003 attacks in Riyadh, a joint U.S.-Saudi intelligence task force was set up to help identify the perpetrators. This set the stage for a more permanent bilateral group with a broader mission. During the first week in August 2003, a delegation of senior U.S. counter-terrorism officials from the National Security Council, the State Department, the Treasury Department, and the Federal Bureau of Investigation met with Saudi leaders reportedly to urge them to do more to cut off the funneling of money to terrorists through Saudi businesses and organizations.⁸³ U.S. officials traveled to Riyadh later that month to set up a joint task force to investigate terrorist financing in Saudi Arabia. Subsequently, agents from U.S. organizations including the Federal Bureau of Investigation and the Internal Revenue Service joined Saudi officials to set up a center that will focus on bank accounts, computer records, and other financial data.

The U.S.-Saudi task force apparently has two components: one focused mainly on intelligence and the other on financing. The intelligence side shares intelligence information related to threats to the United States, especially general criminal terrorism leads. The financing side shares information related to terrorist funding, including sharing financial leads, requests for bank records, information on accounts,

⁸¹ Available at [<http://www.saudiembassy.net/ReportLink/SAMA%20INITIATIVES%20BY%20KSA%20UP%20DATED%20APRIL%202004.pdf>].

⁸² Patrick E. Tyler, “Stability Itself Is the Enemy,” *New York Times*, Nov. 10, 2003.

⁸³ Susan Schmidt, “U.S. Officials Press Saudis on Aiding Terror,” *Washington Post*, Aug. 6, 2003, p. A12.

and so on.⁸⁴ The overall task force is composed of a small groups of FBI agents, FBI employees, analysts, IRS agents and intelligence agents. Among other capabilities, it is apparently able to receive real time information on potential leads in the United States and then request Saudi assistance to pursue them in Saudi Arabia.⁸⁵

According to press articles, this is the first time that U.S. law enforcement officials have been stationed in Saudi Arabia to pursue intelligence and financing issues.⁸⁶ Many observers see this joint effort as a test of how responsive Saudi Arabia may prove to be in dealing with the issue of terrorism and blocking the flow of money from its citizens to terrorist organizations.⁸⁷

The FATF-GCC Assessment. In September 2003, members of the Financial Action Task Force (FATF)⁸⁸ and the Gulf Cooperation Council (GCC) visited Saudi Arabia to examine Saudi financial practices. The FATF 2004 annual report, released on July 2, 2004, states that Saudi Arabia's legal and regulatory system is "compliant or largely compliant with most of the FATF 40+8 Recommendations" on terrorist financing.⁸⁹ According to the report, Saudi Arabia has established a Permanent Committee on Combating the Financing of Terrorism to coordinate its policy response and the Saudi Anti-Financial Crime Unit (SAFCU) to serve as a clearinghouse for investigative information and international cooperation. The SAFCU was not operational at the time of the FATF review.

The FATF report concludes that the Saudi government's legal definition of terrorist financing "does not conform to the international standards as expressed in the UN International Convention on the Suppression of Terrorist Financing."⁹⁰ The

⁸⁴ Testimony of Deputy Assistant Secretary of the Treasury Juan Zarate and Deputy Assistant Director of the FBI Counter-terrorism Operational Support Branch Thomas Harrington, Hearing of the Subcommittee on the Middle East and Central Asia of the House Committee on International Relations on Saudi Arabia and the Fight Against Terrorism Financing, March 24, 2004; Federal News Service transcript, pp. 9-10.

⁸⁵ *Ibid.*, Harrington, p. 10.

⁸⁶ Douglas Farah, "U.S.-Saudi Anti-Terror Operation Planned; Task Force Will Target Funding," *Washington Post*, Aug. 26, 2003.

⁸⁷ "U.S. and Saudis Join in Antiterror Effort," *New York Times*, Aug. 25, 2003; and Matthew Clark, "There's a New Task Force in Town," *The Christian Science Monitor*, Aug. 26, 2003.

⁸⁸ The Financial Action Task Force is "an inter-governmental body whose purpose is the development and promotion of policies, both at national and international levels, to combat money laundering and terrorist financing." For more see the FATF website at [<http://www1.oecd.org/fatf/>].

⁸⁹ See "Kingdom of Saudi Arabia: Executive Summary - FATF Recommendations for Anti-Money Laundering and Combating the Financing of Terrorism" in Annex C of the report Available at [http://www1.oecd.org/fatf/pdf/AR2004-Annexes_en.PDF]. The FATF's "40+8" Recommendations on terrorist financing and money laundering are internationally recognized regulatory and legal benchmarks.

⁹⁰ Saudi officials maintain that the wider body of Islamic *sharia* law that underlies the Saudi legal system adequately criminalizes material support for terrorism. U.S. and FATF

(continued...)

FATF review dealt only with the adequacy of legal and regulatory provisions, and did not assess the degree to which these laws and regulations are being effectively implemented.

Other Recent Measures. Press reports, the State Department's *Patterns of Global Terrorism: 2003*, and statements by knowledgeable observers including a former Department of the Treasury official⁹¹ have listed various recent measures taken by Saudi Arabia to put a stop to terrorist financing. Most of these measures have been designed to improve oversight of charitable collections, and include:

- A law adopted in August 2003 making money laundering and terrorist financing criminal offenses.⁹²
- A ban on cash collections at mosques and on transfers abroad of charitable funds collected in Saudi Arabia, except with Foreign Ministry approval and subject to stringent reporting requirements.
- A requirement for charitable organizations to have single disbursement bank accounts and an approved official with signatory authority to facilitate tighter controls over such accounts.⁹³
- Closure of unlicensed money exchange houses and closer supervision of informal money transfer houses used to send funds abroad, known as *hawalas*.
- New rules governing the insurance sector and capital markets, and establishment of a financial intelligence unit (the SAFCU) to collect and share information on suspicious financial transactions.⁹⁴
- Vetting of religious clerics and supervision of money given to them by their congregations. The government suspended more than 1,000

⁹⁰ (...continued)

officials argue that the language of Saudi Arabia's criminal statutes on terrorist financing should explicitly reflect international standards.

⁹¹ Statement of David Aufhauser, Former General Counsel, Dept. of the Treasury, Middle East Policy Council forum, "Saudi Arabia: Enemy or Friend," Jan. 23, 2004. Available at [http://www.mepc.org/public_asp/forums_chcs/35.html].

⁹² The implementing regulations for the Saudi anti-money laundering and terrorist financing law that was introduced in August 2003 have not been issued as of July 2004.

⁹³ Again, "multilateral organizations" based in Saudi Arabia like the IIRO, WAMY, and MWL are not subject to these restrictions.

⁹⁴ According to sources in the Treasury Department, Saudi Arabia is not yet a member of the Egmont Group, an international organization that links financial intelligence units (FIU) and facilitates information sharing. The Saudi Arabian FIU therefore does not yet have a formal relationship with the U.S. Financial Crimes Enforcement Network (FinCEN).

clerics in 2003 and 900 clerics so far in 2004 supposedly “on the grounds of negligence.”⁹⁵

- Announcement in early December 2003 of a rewards program, ranging from \$270,000 to \$1.87 million, for information leading to the arrest of suspects or disruption of terrorist attacks.
- Announcement in late November 2004 that Saudi Arabia will participate in the newly established Middle East and North Africa Financial Action Task Force (MENAFATF). Membership in the regional body commits Saudi Arabia to implementing the internationally recognized anti-money laundering and counter-terrorist financing standards designed by FATF.

There have also been specific developments in bilateral U.S.-Saudi cooperation in criminal investigations and procedures:

- In September 2003, the FBI and the Internal Revenue Service Criminal Investigative Division began a program of terrorism financing training for the Saudi government and has had sessions in Riyadh and Washington, D.C. A third session was scheduled for Riyadh in May 2004.⁹⁶
- According to the U.S. Department of the Treasury, the Saudis have killed several known operatives, financial facilitators, and financiers for Al Qaeda, including Yousif Salih Fahad Al Ayeeri (a.k.a. “Swift Sword”) and Khaled Ali Al Hajj, reportedly key financial facilitators for Al Qaeda in the Persian Gulf region.⁹⁷

Continuing Uncertainties and Questions

Saudi Arabia has undertaken significant administrative reforms in its efforts to curtail terrorist financing. A FATF official involved in the recent assessment of Saudi practices was quoted as saying that the new regulations to control Saudi-based charities “probably go further than any country in the world.”⁹⁸ As noted above, however, the effectiveness of many of these steps will depend on their implementation. Several uncertainties and unresolved questions remain.

⁹⁵ “Show of Force,” *Middle East Economic Digest*, 26 Mar.-1 Apr. 2004.

⁹⁶ U.S. Congress, House of Representatives, Hearing of the Subcommittee on the Middle East and Central Asia of the House Committee on International Relations on Saudi Arabia and the Fight Against Terrorism Financing, Rayburn House Office Building, Washington, DC, March 24, 2004; testimony of Mr. Thomas Harrington, Deputy Assistant director of the FBI Counterterrorism Operational Support Branch, Federal News Service transcript, p. 7.

⁹⁷ *Ibid.*, testimony by (then) Deputy Assistant Secretary of the Treasury Juan Zarate, p. 8.

⁹⁸ Robin Allen, “Saudis meet anti-terror finance benchmarks,” *Financial Times* (London), March 8, 2004.

The Khobar Towers Bombing. The bombing of a U.S. Air Force billeting facility in June 1996 has never been resolved. The reluctance of Saudi investigative officials to share evidence with their U.S. counterparts was a long-standing source of friction between the two governments; both issued their own separate indictments. Although the Saudi Hezbollah group and the Iranian government are suspected of involvement, recent reports indicate that Al Qaeda may also have played a role in the attack. Some observers believe that more and better U.S. access to Saudi files on this case might reveal money trails that could shed further light on the intricacies of terrorist funding and collaboration.

Dilatory Action. U.S. officials have complained in the past that Saudi officials have been slow to take action against organizations and entities implicated in terrorist financing. According to a monograph released by the 9/11 Commission, “the Saudi government turned a blind eye to the financing of al Qaeda” before September 11, 2001, and “the Saudis did not begin to crack down hard on Al Qaeda financing in the Kingdom until after the May 2003 Al Qaeda attacks in Riyadh.”⁹⁹ The report recognized the “significantly higher levels of cooperation” that U.S. officials have received from their Saudi counterparts since May 2003. Securing timely cooperation remains an important component of U.S. efforts to curb the flow of funds to terrorist groups.

Accountability. U.S. officials have also said that the Saudi Government should give more emphasis to personal responsibility in reporting and act against those who tolerate or promote financing of terrorist activity. According to the 9/11 Commission Monograph on Terrorist Financing, “the Saudis have failed to impose criminal punishment on any high-profile donor.”¹⁰⁰ The 2004 FATF review found that Saudi Arabia has initiated five criminal cases involving terrorist financing activities, with one successful conviction. Several prominent Saudi individuals suspected by U.S. authorities of involvement in terrorist financing have not been charged or prosecuted in the United States, Saudi Arabia, or other jurisdictions. These individuals are believed to be in Saudi Arabia.

Palestinian Funding. Saudi leaders have said that Saudi government contributions to Palestinian causes go exclusively to the Palestinian Authority¹⁰¹ and not to Hamas. The State Department notes that Hamas receives funds from benefactors in various locations including the Persian Gulf, although it does not specifically mention Saudi Arabia. The possibility remains that private donors in Saudi Arabia may circumvent Saudi regulatory controls.

Currency Controls. Although Saudi Arabia’s customer information requirements are more stringent for international transfers under recently adopted regulations, some loopholes may remain. The FATF report calls on Saudi officials

⁹⁹ Available at [http://www.9-11commission.gov/staff_statements/911_TerrFin_Monograph.pdf]

¹⁰⁰ Ibid.

¹⁰¹ It is unclear how donations from the Saudi Popular Committee for Assisting the Palestinian Mujahideen to the PLO were considered in this regard.

to increase the amount of information required for foreign currency conversion transactions at money remittance centers in the Kingdom. Saudi law permits the undeclared transport of currency across its borders for all amounts under 100,000 Saudi *riyals* (\$26,666).

International Efforts. The FATF review notes that Saudi Arabia has not ratified the International Convention for the Suppression of the Financing of Terrorism, adopted by the U.N. General Assembly in December 1999. The FATF report urges Saudi Arabia to do so “as soon as possible.”

Outlook

It seems clear that growing challenges to internal security and an increase in terrorist incidents in Saudi Arabia have impelled the Saudi leadership to devote heightened attention to countering sources of financing terrorism. This has been particularly true since mid-2003, when terrorists began mounting a series of attacks on residential and office compounds, apparently in an effort to target the Saudi government as well as the western presence in Saudi Arabia. Both U.S. officials and independent observers have welcomed the mechanisms that Saudi authorities have put in place with the aim of stemming the flow of funds destined for terrorist groups. They point out, however, that the effectiveness of these measures will be tested by the degree to which Saudi authorities succeed in implementing the various institutions and regulations that have been established in recent years.

Issues for Congress

Several Committees and Members have expressed interest in these issues and have held hearings and introduced legislation relating to U.S.-Saudi cooperation in the fight against terrorism and terrorist financing. Section 575 of the FY2005 Omnibus Appropriations Bill prohibits Saudi Arabia from receiving aid or any direct assistance from the United States. Saudi Arabia has been receiving \$25,000 in annual U.S. aid under the International Military Education and Training (IMET) program. Section 575 provides the President with waiver authority for the aid prohibition provided that he certifies that “Saudi Arabia is cooperating with efforts to combat international terrorism and that the proposed assistance will help facilitate that effort.” Companion bills entitled the Saudi Arabia Accountability Act, introduced in the House and Senate on November 21 (H.R. 3643) and November 18, 2003 (S. 1888), respectively, would require the President to prohibit export of arms or dual use items to Saudi Arabia and to restrict the travel of Saudi diplomats in the United States, unless the President certifies that Saudi Arabia is fully cooperating with the United States in investigating and preventing terrorist attacks and taking other specified counter-terrorist measures.

Following the release of the final report of the National Commission on Terrorist Attacks Upon the United States (the 9/11 Commission), Members of Congress introduced several bills to implement recommendations of the Commission with regard to the organization of the intelligence community and other foreign policy mechanisms. The 9/11 Recommendations Implementation Act (S. 2845, as

amended by the House), for example, would require the President to submit to designated congressional committees a strategy for collaboration with the people and government of Saudi Arabia including a framework for security cooperation [Section 4081(b)]. This strategy would include special reference to efforts to combat terrorist financing.